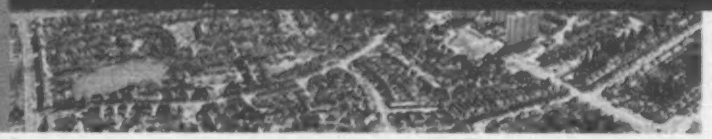
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Windsor CMA



Canada Mortgage and Housing Corporation

Date Released: Fall 2007

New Home Market

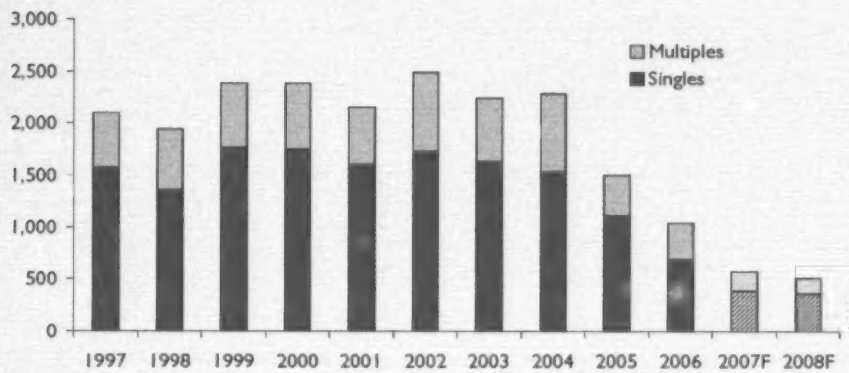
Housing Starts to Fall

In 2008 new home construction in the Windsor Census Metropolitan Area (CMA) will drop to the lowest level since 1984. Total home starts will fall to 510 units, down eight per cent from 2007. Demand for all dwelling types will be weaker. Construction will begin on a total of 360 single-detached homes in 2008, a drop of seven per cent from 2007. Rising new home prices, minimal employment growth, and greater choice in the resale home market will combine to weaken demand for new homes further in 2008.

The average price of a new home in the Windsor CMA will continue to be well above the cost of the average

Figure 1

Housing Starts Will Fall



Source: CMHC forecast

Table of Contents

1 **New Home Market**
Housing Starts to Fall

2 **Resale Home Market**
Resale to Cool in 2008

3 **Economic Trends**
Slower Job Growth
Mortgage Interest Rates

4 **Forecast Summary**

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at **ww.cmhc.ca/housingmarketinformation.** View print, download or subscribe to get market information e-mailed to you on the day it is released. New ! CMHC's electronic suite of national standardized products is now available for **free.**

Canada

CMHC SCHL

HOME TO CANADIANS

resale home. As a result of higher land and infrastructure costs, the average price of a newly constructed single-detached house in the Windsor CMA has risen by more than 20 per cent in the last two years. Price increases for single-detached homes have outpaced income gains. Declining affordability has cut into demand for single-detached homes. With prices forecast to increase above the general rate of inflation in 2008, affordability will continue to be a factor for many potential buyers. However, the top end of the market (above $300,000) will still be active.

The 2006 Census shows the proportion of households in the Windsor CMA that own their dwelling as opposed to renting is significantly higher than the Ontario average. In 2006, 75.7 per cent of households owned their own dwelling in the Windsor CMA compared to an Ontario average of 71 per cent. One of the contributing factors to the higher homeownership rate in the Windsor area is the relatively lower housing costs compared to other larger metropolitan centres in Ontario. The strong movement from rental into homeownership over the past several years is expected to wane as increases in carrying costs outpace average rental increases in 2008.

As mortgage carrying costs increase, some home buyers will turn to more affordable types of new construction, or to resale homes. Rental construction will be minimal since the rental apartment vacancy rate in Windsor is the highest in the country. Condominium starts are also likely to be limited. In August 2007, there were 183 apartment condominium units under construction at 3 different locations, approximately 60 per cent of which are presold. This will provide sufficient supply for the next 18-24 months.

Resale Home Market

Resale to Cool in 2008

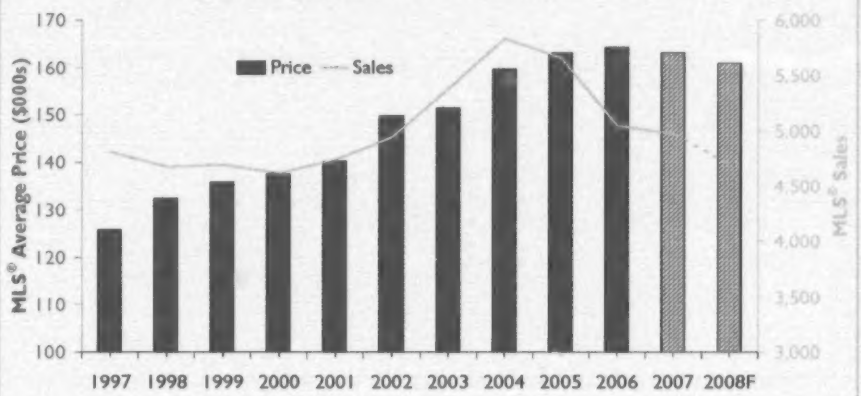
The resale home market in Windsor-Essex, which peaked in 2005, will continue to slow in 2008. Sales through the Windsor-Essex Real Estate Board will soften a further five per cent to 4,700 units. Low mortgage rates and an increased variety of financing options will keep the resale market from falling further.

New listings, a measure of supply, will remain high. A nearly 12,000 homes will be listed for sale in 2007, up one per cent from 2006. The supply of new listings has been moving higher since 2000. Many homeowners have been encouraged to put their homes up for sale in a housing market environment which has seen house prices rise more than 18 per cent in the last five years. This is particularly true for two storey homes where prices have risen more than 11 per cent in the third quarter over the same period one year earlier.

Market tightness is measured by the sales to new listings ratio (SNLR). In a buyers' market, prices are falling while in a balanced market, they are rising in line with inflation. In Windsor-Essex a buyers' market is associated with a SNLR below 45 per cent, while a ratio between 45 and 55 per cent indicates a balanced market. The SNLR has been trending lower after peaking in 2002. With supply outpacing demand in 2007, the SNLR has averaged less than 44 per cent. The Windsor-Essex resale market is expected to favour buyers into 2008. As a result of the loosening of the market in the last few

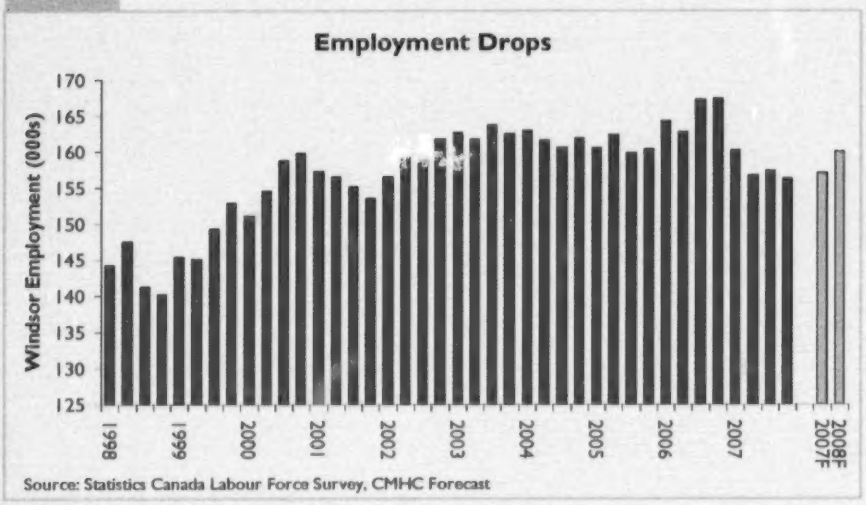
Figure 2

Resale Sales and Prices Decline in 2008



Source: Windsor Essex Real Estate Board, CMHC forecast

Figure 3



Source: Statistics Canada Labour Force Survey, CMHC Forecast

years, the average sale price will decline. The average price of a resale home is expected to nudge lower to $163,000 in 2007 and a further one per cent in 2008.

Economic Trends

Slower Job Growth

Employment is a key factor supporting housing demand. In 2007 employment in the Windsor CMA is forecast to decline by five per cent but rising non-residential investment will stimulate a recovery of two per cent to 160,000 in 2008. This falls shy of the job losses in 1991 when employment levels declined 5.7 per cent and three years elapsed before those jobs. Weaker economic growth in the U.S. and the high Canadian dollar have negatively impacted export sales. Most of the loss will be in the goods-producing sector due to manufacturing job losses from the ongoing restructuring in the auto sector. More lay-offs in this sector are pending and having a negative effect on consumer confidence. The tourism sector has also been negatively affected by border crossing difficulties, the smoking ban, and competition from the new MGM Grand Casino in Detroit.

On a positive note, non-residential construction will be boosted by the ongoing casino renovation, the new arena, and a proposed $160 million power generation plant. Recently, the Windsor area was ranked as North America's leading small City of the Future. Part of the ranking was based on several large-scale projects, one of which will be the new $1 billion international border crossing facility.

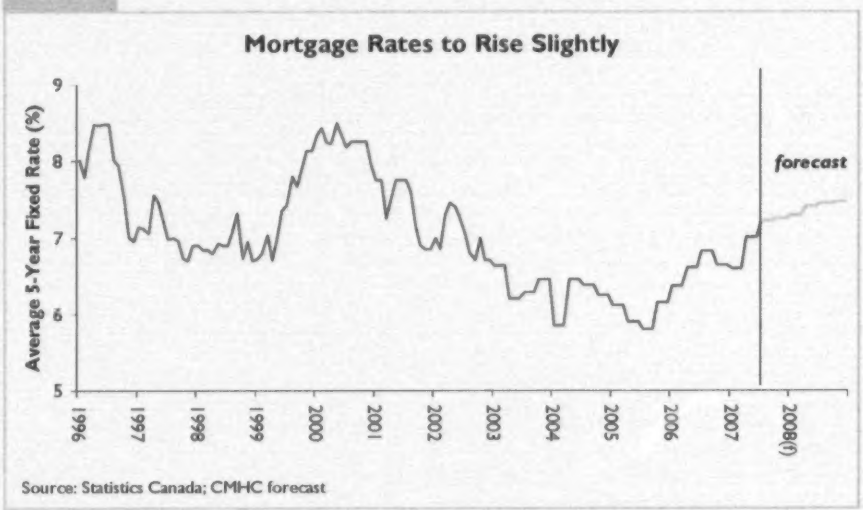
Also in the works for 2008 are the University of Windsor's $110 million Centre of Engineering Innovations and new facilities and renovations at the Windsor Regional Hospital.

Full-time employment is important to housing demand. This sector has seen a decline in employment in the last year. The number of full time jobs bottomed out in the first quarter of 2007 and has slowly been improving. However there will still be 6,300 fewer full-time jobs than last year. Although Windsor's unemployment rate is the highest in the country, it is much less than the 13-14 per cent range seen in the early 1980s.

Mortgage Interest Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Figure 4



Source: Statistics Canada; CMHC forecast

Forecast Summary Windsor CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	5,832	5,661	5,047	4,800	-5	4,650	-3
MLS® New Listings	10,195	11,297	11,802	12,000	2	n/a	-
MLS® Average Price ($)	159,597	163,001	164,123	162,400	-1	160,000	-1
New Home Market							
Starts:							
Single-Detached	1,539	1,110	692	350	-49	320	-9
Multiples	748	386	353	206	-42	190	-8
Starts - Total	2,287	1,496	1,045	556	-47	510	-8
Average Price ($):							
Single-Detached	213,469	234,959	252,302	285,000	13	n/a	-
Median Price ($):							
Single-Detached	180,000	189,900	210,470	265,000	26	n/a	-
New Housing Price Index (% chg.)	0.4	2.9	-0.1	-1.1	-	1.6	-
Rental Market							
October Vacancy Rate (%)	8.8	10.3	10.4	8.5	-1.9	6.0	-2.5
Two-bedroom Average Rent (October) ($)	776	780	765	768	0	782	2
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	161,900	161,300	165,100	160,000	-3	162,000	1
Employment Growth (%)	-0.3	-0.4	2.4	-3.0	n/a	1.0	n/a
Unemployment rate (%)	8.7	7.9	9.0	9.6	8.6	9.5	-1.0
Net Migration	806	-320	-424	-500	-17.9	400	n/a

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is now available for free on CMHC's website. You can now view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1 800 668-2642.

©2007 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; (613) 748-2367 or 1 800 668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

NEW MARKET ANALYSIS REPORTS

Subscribe Now!

December 2007

- **Enhanced coverage of the secondary rental market**
  - Rental Market Reports – Major Centres

June 2007

- **Spring Rental Market Survey Results**
  - Rental Market Report – Canada and Provincial Highlights
  - Rental Market Statistics
- Renovation and Home Purchase Report

May 2007

- Housing Market Outlook – Canada and Regional Highlights Reports
- Northern Housing Outlook Report

Throughout 2007

- Coverage of additional centres:

- Abbotsford
- Barrie
- Kingston
- Guelph
- Peterborough
- Brantford

Find out More!

CMHC has enhanced its suite of surveys and analytical reports to better serve you. Visit www.cmhc.ca/housingmarketinformation regularly to find out more about our product updates and to subscribe to our FREE electronic reports.

64335_2007_B02